

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA :

-v.- : S6 22 Cr. 673 (LAK)

SAMUEL BANKMAN-FRIED, :

Defendant. :

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Exhibit E

Twitter Posts from Samuel Bankman-Fried's Twitter Account



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1) Better is Bigger

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707

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2) NOT INVESTMENT ADVICE

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3) Let's say you were offered a coin flip. 75% it comes up heads, 25% it comes up tails; 1:1 payout. How much would you risk?

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4) There are a number of ways to approach this question, but to start: what do you want, in the first place? What's your utility function?

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5) In other words--how cool would it be to make \$10,000? How about \$1,000,000--is that 100 times as good?

For most people the answer is 'no, it's more like 10 times as good'. This is because of decreasing marginal utility of money.

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6) For the median US household, making another \$10k helps them move to a more comfortable house, buy a newer car, and eat out more--not nearly the utility that you can get for \$10k in the developing world, but still something.

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7) But the 100th time you win \$10k, it's worth less. You've already bought a new car and moved to a fancier house. You could buy a few more new cars, but honestly who's going to drive them?

There are things you can do with it, but generally it's just worth less.

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8) One reasonable utility function here is $U = \log(W)$: approximating your happiness as logarithmic in your wealth. That would mean going from \$10k to \$100k is worth about as much as going from \$100k to \$1m, which feels.... reasonable?

(this is what the Kelly Criteria assumes)

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9) So, if you have \$100k, Kelly would suggest you risk half of it (\$50k). This is a lot! But also 75% odds are good.

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10) What about a wackier bet? How about you only win 10% of the time, but if you do you get paid out 10,000x your bet size? (For now, let's assume you only get to do this bet once.)

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11) Kelly suggests you only bet \$10k: you'll almost certainly lose. And if you kept doing this much more than \$10k at a time, you'd probably blow out.

That this bet is great expected value; you win 1,000x your bet size, way better than the first one! It's just very risky.

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12) In many cases I think \$10k is a reasonable bet. But I, personally, would do more. I'd probably do more like \$50k.

Why? Because ultimately my utility function isn't really logarithmic. It's closer to linear.

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13) Sure, I wouldn't care to buy 10,000 new cars if I won the coinflip. But I'm not spending my marginal money on cars anyway. I'm donating it.

And the scale of the world's problems is.... Huge.

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14) 400,000 people die of malaria each year. It costs something like \$5k to save one person from malaria, or \$2b total per year. So if you want to save lives in the developing world, you can blow \$2b a year just on malaria.

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15) And that's just the start. If you look at the scale of funds spent on diseases, global warming, emerging technological risk, animal welfare, nuclear warfare safety, etc., you get numbers reaching into the trillions.


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16) So at the very least, you should be using that as your baseline: and kelly tells you that when the backdrop is trillions of dollars, there's essentially no risk aversion on the scale of thousands or millions.

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17) Put another way: if you're maximizing $EV(\log(W+\$1,000,000,000,000))$ and W is much less than a trillion, this is very similar to just maximizing $EV(W)$.



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18) Does this mean you should be willing to accept a significant chance of failing to do much good sometimes?

Yes, it does. And that's ok. If it was the right play in EV, sometimes you win and sometimes you lose.



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19) And more generally, if you look at everyone contributing to the cause as one portfolio--which is certainly true from the perspective of the child dying from malaria--they aren't worried about who it was that funded their safety.



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20) So what does all this mean? It means that, when you're thinking about your career, sometimes the altruistic thing to do is to take chances. Seek out the opportunities with the biggest upside, not the ones which are the safest, and hone in on that vision.



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21) Sometimes that means a startup, or an experimental field, or a bold play. Sometimes it means starting a charity or a movement.

When it comes to the scales of money, better is bigger.



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22) So given all that, why not bet all \$100k? Why only \$50k?

Because if you bet \$100k and lose, you can never bet again. And to the extent you think you have future ways to provide value that are contingent on having some amount of funding, it can be important to keep that.

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23) So as we near the end of the year and you think about giving, think long-term and think big. If you can only give a little bit this year because everything else is helping you build out your career, that's fine.

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24) Do what you can to maximize the amount you can give long term, even if you're not sure how it will end.

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25) But if you've already made it--as many people who've held crypto this decade have--consider giving more than a little. Consider giving a lot. If there's anything 2020 has taught us, it's that the world needs it.

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26) There are a number of great places to give. In the past I've given to charities recommended by givewell.org, animalcharityevaluators.org, and openphilanthropy.org if you want a place to start looking.



Open Philanthropy

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